



Iowa Research Activities Credit

Name(s)	Social Security No.
Name of Partnership or S Corporation (if applicable)	Federal ID No.

PART I: COMPUTATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES

1. Certain amounts paid or incurred to energy consortia after August 8, 2005..... 1. _____
2. Basic research payments paid or incurred to qualified organizations..... 2. _____
3. Qualified organizations base amount..... 3. _____
4. Subtract line 3 from line 2 (not to be less than zero) 4. _____
5. Wages for services used in qualifying research..... 5. _____
6. Cost of supplies used in conducting qualified research..... 6. _____
7. Rental or lease costs of computers used in conducting qualified research 7. _____
8. Applicable percentage of contract expenses 8. _____
9. Add lines 5 through 8..... 9. _____
10. Enter fixed-base percentage, but not more than 16% 10. _____
11. Enter average annual gross receipts 11. _____
12. Base amount: Multiply line 11 by the percentage on line 10 12. _____
13. Subtract line 12 from line 9..... 13. _____
14. Multiply line 9 by 50%..... 14. _____
15. Enter the smaller of line 13 or line 14 15. _____
16. Total allowable expenses: Add lines 1, 4 and line 15 16. _____

PART II: PERCENTAGE OF RESEARCH ACTIVITIES OCCURRING WITHIN IOWA

17. Certain amounts paid or incurred to energy consortia in Iowa after August 8, 2005 ... 17. _____
18. Basic research payments paid or incurred to qualified organizations in Iowa during tax year 18. _____
19. Iowa apportioned qualified organizations base amount..... 19. _____
20. Subtract line 19 from line 18 (not to be less than zero)..... 20. _____
21. Wages for qualifying research services performed in Iowa 21. _____
22. Cost of supplies used in conducting qualifying research in Iowa..... 22. _____
23. Rental or lease costs of computers used in conducting qualified research in Iowa 23. _____
24. Applicable percentage of contract expenses for qualifying research performed in Iowa 24. _____
25. Add lines 21 through 24 25. _____
26. Total Iowa qualified research expenses (add lines 17, 18 and 25) 26. _____
27. Total current year qualified research expenses (add lines 1, 2 and 9) 27. _____
28. Divide line 26 by line 27 and enter percentage to 3 decimals 28. _____
29. Expenses allocable to Iowa (multiply line 16 by line 28) 29. _____
30. Credit for increasing research activities (multiply line 29 by 6.5%) 30. _____
31. Flow-through Iowa Research Activities Credit received from partnership, S Corporation or estate or trust 31. _____
32. Total allowable Iowa Research Activities Credit (add lines 30 and 31 and enter on IA 1120, Schedule C-1; or on line 14, IA 1120A; or line 66, IA 1040; or line 30, IA 1041) 32. _____

Special Instructions

1. Trades or Businesses that are under Common Control. For a group of trades or businesses under common control (whether or not incorporated), the credit for increasing research activities is figured as if all the organizations are one trade or business. The credit figured for the group must then be shared among the members of the group on the basis of each member's proportionate contribution to the increase in research expenses.

2. Adjustments for Certain Acquisitions and Dispositions. If a major portion of a trade or business is acquired or disposed of, adjustments must be made to research expenses for the period before or after the acquisition or disposition.

3. Short Tax Year. For any short tax year, qualified research expenses are annualized.

4. Apportionment of Credit. The credit figured on lines 1 through 32 by a partnership, S corporation, estate or trust are apportioned to the individual partners, shareholders, or beneficiaries, respectively. This apportioned credit is entered on line 31 of a separate form IA 128 to determine the allowed credit to be entered on their tax returns.

Research Activities Conducted under the New Jobs and Income Program, New Capital Investment Program, High Quality Job Creation Program or the Enterprise Zone Program. If research activities are conducted by eligible businesses under any of these programs, the amount of the Iowa Research Activities Credit may be doubled. Effective July 1, 2005, research activities under the high quality job creation program or under the enterprise zone program includes the development and deployment costs of innovative renewable energy generation components manufactured or assembled in Iowa. This cannot include components with more than 200 megawatts of installed effective nameplate capacity. These costs are not eligible for the federal research activities credit. A separate form IA 128 must be completed to account for these expenses, which can be included on lines 5 and 20 of the separate form IA 128. The amount of the additional credit relating to these costs cannot be doubled.

EXAMPLE: An eligible business computes an Iowa research activities credit of \$50,000 excluding any costs relating to innovative renewable energy generation components. When the costs relating to innovative renewable energy generation components are included on lines 5 and 20, the Iowa credit is \$75,000. The business can double the credit for the \$50,000 computation, which would result in an Iowa credit of \$100,000. This can be added to the additional credit relating to the innovative renewable energy generation components of \$25,000, resulting in a total Iowa research activities credit of \$125,000.

Note: If you are a shareholder, partner, or beneficiary with a credit from two sources, such as from a sole proprietorship and a partnership, figure the credit of the proprietorship on form IA 128, lines 1 through 30, if you are claiming the research credit. Then enter the flow-through credit from the partnership on line 31 and complete the rest of the form to determine the credit to be entered on your tax return.

Any individual, estate, trust, organization or corporation claiming an Iowa credit for increasing research activities or any S corporation, partnership, estate or trust that shares the credit among its shareholders, partners, or beneficiaries should attach this form to its Iowa income tax return.

S corporations, partnerships, estates and trusts that share the credit among their shareholders, partners or beneficiaries must show on Schedule K-1, or on an attachment to Schedule K-1, the credit for each shareholder, partner or beneficiary.

PART I: COMPUTATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES

Line 2. Corporations other than S corporations, personal holding companies, and service organizations enter cash payments to a qualified university or scientific research organization pursuant to a written contract.

Line 3. Enter the base period amount as defined in section 41(c) of the Internal Revenue Code. A portion of this amount not to exceed the amount on line 2 can also be treated as a contract research expense on line 8 of this form subject to the 65% or 75% limitation.

Line 4. If line 2 is greater than line 3, enter the difference. If line 3 is greater than line 2, enter zero.

Line 5. Enter any wages paid or incurred to an employee for qualified services performed by such employee.

Line 6. Enter the amounts paid or incurred for supplies used in the conduct of qualified research.

Line 7. Enter the amount paid or incurred to another person for the right to use computers in the conduct of qualified research. This entry must be reduced by any amount you receive or accrue from any other person for the right to use substantially identical personal property.

Line 8. Include 65% of any amount paid or incurred for qualified research performed on your behalf. Also, include 65% of that portion of line 3 that does not exceed line 2. Use 75% in place of 65% for payments made to a qualified research consortium.

Line 10. Enter the fixed-base percentage, not to exceed 16%. See section 41 (c) of the Internal Revenue Code.

Line 11. Enter the average annual gross receipts for the four tax years preceding the tax year for which the credit is being determined. For any short year you may be required to annualize gross receipts. See IRC sections 41(c)(1)(b) and 41(f)(4) for details.

PART II: PERCENTAGE OF RESEARCH ACTIVITIES OCCURRING WITHIN IOWA

Lines 17, 18, 21, 22 and 23. For these lines, enter only that portion of lines 1, 2, 5, 6 and 7 respectively that are for qualifying expenses occurring in Iowa.

Line 19. Enter the amount on line 3 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 3 should be prorated by the amount on line 18 divided by the amount on line 2.

Line 24. Enter the amount on line 8 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 8 should be prorated by the ratio of contract services performed in Iowa to total qualifying contract expenses. Do not include any expenses that are already reflected in line 4 or line 18.

Line 31. If you received flow-through research credit(s) from a partnership, S corporation, or estate or trust, enter the amount of the credit(s) on this line. You must also include a copy of the IA 128 from the partnership, S corporation, or estate or trust as well as a schedule showing the apportionment to individual partners, shareholders or beneficiaries.

Line 32. Add lines 30 and 31 and enter the sum. This is total allowable Iowa Research Activity Credit. Also, enter this figure on IA 1120, Schedule C-1; or line 14, IA 1120A; or line 66 of the IA 1040; or on line 30 of the IA 1041.